

Form CT-1120 ATT Instructions

Form CT-1120 ATT must be attached to **Form CT-1120**, *Corporation Business Tax Return*, whenever *Schedule H*, *Schedule I*, or *Schedule J*, is used in the calculation of the Connecticut corporation business tax.

SCHEDULE H – Connecticut Apportioned Operating Loss Carryover

Lines 1 through 5 - Enter the amount of the Connecticut apportioned operating loss carryover from the five preceding income years as reported on Connecticut corporation business tax returns filed for those years. Net operating losses incurred for income years beginning prior to January 1, 2000, may be carried forward for five successive income years. Net operating losses incurred in income years beginning on or after January 1, 2000, may be carried forward for 20 successive income years. *Conn. Gen. Stat. §12-217*.

Line 6 - Add Lines 1 through 5 in Column A and enter the total on Line 6, Column A. Add Lines 2 through 5 in Column B and enter the total on Line 6, Column B. Enter the amount from Line 6, Column A, on **Form CT-1120**, *Schedule A*, Line 4.

SCHEDULE I – Dividend Deduction

Line 1 - Enter in Column A total dividend income included in the computation of federal taxable income, except for dividends received from a real estate investment trust, unless those dividends are: (1) deductible under I.R.C. §243 or (2) received by a qualified dividend recipient from a qualified real estate investment trust.

Line 2 - Enter in Column A dividends from less than 20% owned domestic corporations, which would include dividends from money market funds. The deduction is limited to 70% of gross dividends less related expenses. Multiply Column A by Column B (.70) and enter the result in Column C. Enter in Column D related expenses. (Attach schedule of related expenses and computation.) Subtract Column D from Column C and enter the result in Column E.

Line 3 - Dividend Balance: Subtract Line 2 from Line 1 and enter the result on Line 3, Column A. Multiply Column A by Column B (1.0) and enter the result in Column C. Enter in Column D related expenses. (Attach schedule of related expenses and computation.) Subtract Column D from Column C and enter the result in Column E.

Line 4 - Enter in Column E total dividend deduction. Add Line 2, Column E and Line 3, Column E. Enter the result here and on **Form CT-1120**, *Schedule D*, Line 7.

SCHEDULE J – Bonus Depreciation Recovery

Complete Schedule J if the corporation claimed the bonus depreciation under I.R.C. §168(k) for qualifying property placed in service on or after September 10, 2001 and before September 11, 2004 on its federal Form 4562. For purposes of the Connecticut corporation business tax, the special deduction permitted under I.R.C. §168(k) is not allowed and depreciation must be calculated without regard to I.R.C. §168(k). *Schedule J* is used to account for the subtraction modification that must be made to federal net income (loss). For additional information, see **Special Notice 2002(10)**, *Bonus Depreciation for Connecticut Corporation Business Tax Purposes*.

Attach a copy of the 2002 federal Form 4562 and a detailed schedule of those assets for which the I.R.C. §168(k) bonus depreciation was claimed. For each asset, the schedule must list the following: 1) a description of the qualifying asset; 2) the year in which the asset was placed in service; 3) the federal basis (reduced by the bonus depreciation) used for purposes

of calculating depreciation using the Modified Accelerated Cost Recovery System (MACRS); 4) the Connecticut basis used for purposes of calculating MACRS depreciation (basis not reduced by I.R.C. §168(k) amount); 5) the recovery period and convention; 6) the depreciation claimed for federal purposes for the income year; and 7) the depreciation allowed for Connecticut tax purposes for the income year.

Line 1 - This line is used to account for any qualifying assets placed in service during the corporation's 2000 income year for which the bonus depreciation under I.R.C. §168(k) was claimed on its 2000 federal Form 1120. Enter in Column A the amount of MACRS depreciation claimed by the corporation on its 2002 federal Form 4562 with respect to those qualifying assets. Enter in Column B the amount of MACRS depreciation allowed on those same assets for Connecticut corporation business tax purposes for the 2002 income year. Connecticut depreciation is determined under the Internal Revenue Code of 1986 without regard to I.R.C. §168(k). Enter in Column C the difference between the amount claimed in Column B and the amount claimed in Column A.

Line 2 - This line is used to account for any qualifying assets placed in service during the corporation's 2001 income year for which the bonus depreciation under I.R.C. §168(k) was claimed on its 2001 federal Form 1120. Enter in Column A the amount of MACRS depreciation claimed by the corporation on its 2002 federal Form 4562 with respect to those qualifying assets. Enter in Column B the amount of MACRS depreciation allowed on those same assets for Connecticut corporation business tax purposes for the 2002 income year. Connecticut depreciation is determined under the Internal Revenue Code of 1986 without regard to I.R.C. §168(k). Enter in Column C the difference between the amount claimed in Column B and the amount claimed in Column A.

Line 3 - This line is used to account for any qualifying assets placed in service during the corporation's 2002 income year for which the bonus depreciation under I.R.C. §168(k) was claimed on its 2002 federal Form 1120. Enter in Column A the amount of MACRS depreciation claimed by the corporation on its 2002 federal Form 4562 with respect to those qualifying assets. (Do not include the 30% bonus amount.) Enter in Column B the amount of MACRS depreciation allowed on those same assets for Connecticut corporation business tax purposes for the 2002 income year. Connecticut depreciation is determined under the Internal Revenue Code of 1986 without regard to I.R.C. §168(k). Enter in Column C the difference between the amount claimed in Column B and the amount claimed in Column A.

Line 4 - Add Lines 1, 2, and 3 in Column C. Enter the result here and on **Form CT-1120**, *Schedule D*, Line 10.

Example: In 2002, a corporation purchases a piece of equipment for \$100,000. Assume that equipment is MACRS 5-year property, that the half-year convention applies, and that no amount is expensed under I.R.C. §179. For federal tax purposes, the corporation claims the bonus depreciation under I.R.C. §168(k) in the amount of \$30,000 (\$100,000 x 30%). It then reduces its basis in the equipment to \$70,000 (\$100,000 - \$30,000) and uses that reduced basis to calculate its federal MACRS depreciation of \$14,000, (\$70,000 x 20%). For Connecticut corporation business tax purposes, the corporation must calculate the first year MACRS depreciation allowed for state purposes, using its state basis of \$100,000. This results in a state MACRS depreciation deduction in the amount of \$20,000 (\$100,000 x 20%). To properly complete *Schedule J*, the corporation must enter \$14,000 on Line 3, Column A; and \$20,000 on Line 3, Column B. The difference between the state MACRS depreciation (\$20,000) and the federal MACRS depreciation (\$14,000) is \$6,000, which must be entered on Line 3, Column C.